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STAT

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Secure Equipment Acquisition Policy - Status Report

FROM:	EXTENSION	NO.
Chief, Procurement Managment Staff/OL		DATE 21 OCT 1981

STAT

STAT

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. ALL SEAP TASK FORCE MEMBERS				
	10/22/81		G	file SEAP
4.				
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STAT

FORM 1-79 610 USE PREVIOUS EDITIONS

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21 OCT 1981

MEMORANDUM FOR: ALL MEMBERS SEAP TASK FORCE

FROM: [redacted] STAT
Chief, Procurement Management Staff
Office of Logistics

SUBJECT: Secure Equipment Acquisition Policy (SEAP) -
Status Report

1. I am not sure what the status is of the various undertakings by Task Force members, but we will review this at our next regular meeting at 10:00 A.M. on Tuesday, 3 November 1981, Room 3G06, [redacted]. As Chairman, I have had some STAT difficulty in arranging an appointment with representatives of the DOD Computer Security Evaluation Center at NSA. I was finally able to set up an appointment with the Deputy Director of the Center, [redacted] for 27 October at 10:00 A.M. STAT It was difficult to make arrangements for our entire Task Force to make the trip and, accordingly, I have made arrangements for [redacted] and the undersigned STAT to visit with [redacted]. This smaller group will report back STAT at our next meeting on discussions with [redacted] STAT

2. I am distributing, as attachments to this memorandum, two additional newspaper articles which have been brought to my attention and which seem to be on target with our review. [redacted] STAT

3. It is my thought at this time that we will have collected enough data after our trip to NSA and after our regular meeting on 3 November to attempt to reduce our findings to writing on target for a wrap-up of our activity by the end of November. [redacted] STAT

4. As a final item, I should mention that ODP has come into Procurement Division with a request for a CPU from IBM on a sole source basis. They have based a decision to go with IBM on a policy of acquiring only domestic manufactured automated data processing equipment. A recommendation has gone to the DDA that the Agency proceed with this procurement on the basis proposed pending final completion of our Task Force effort. [redacted] STAT

[redacted] STAT

Attachments

[redacted] STAT

[redacted] STAT

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THE
GENUINE
ARTICLE

AT&T May Award Fiber-Optics Cable Job to Japan Firm

* * *

Prospect Concerns Congress About National Security, Aid to Foreign Technology

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A WALL STREET JOURNAL *News Roundup*

American Telephone & Telegraph Co. is prepared to award a contract to Fujitsu Ltd. of Japan to provide fiber-optics communications cable in the northeastern U.S., congressional sources said.

AT&T declined comment on the reports, saying only that it wanted to award the contract soon to one of several U.S. and foreign bidders, but hadn't done so yet. The contract calls for the supply of cable to be installed between New York City and Cambridge, Mass., as part of the 611-mile network, the world's largest using advanced fiber-optics technology.

The prospect of the contract going to a foreign company such as Fujitsu, Japan's largest computer maker, has stirred congressional concerns over national security and the help it would give in spurring foreign technology. Rep. Timothy Wirth (D., Colo.), chairman of the House communications subcommittee, complained in an Oct. 9 letter to the Federal Communications Commission that such concerns were being ignored by the FCC's insistence that AT&T open major contracts to competitive bidding among all potential suppliers.

FCC Chairman Mark Fowler responded to Mr. Wirth Friday, saying the issues he raised would be considered when AT&T makes its award and the FCC considers its application for a construction permit. No dates for the FCC proceedings were set because AT&T hasn't acted yet on its award.

The contract issue is part of a larger debate over the deregulation of key aspects of the telephone industry. A recently approved Senate bill eases some strictures on AT&T but also contains provisions designed to ensure that the company buys more equipment from suppliers other than its Western Electric manufacturing unit.

AT&T has been critical of those provisions, saying that they would force the company to buy heavily from foreign makers. The award to Fujitsu would illustrate that point.

"It was never our idea originally to seek world-wide proposals for this (fiber-optics) project but we were convinced from our discussions with the FCC that we wouldn't receive a construction permit unless we did so," an AT&T spokesman said. The first phase of the Northeast fiber-optics network between West[illegible] already is under construction under a contract awarded to Western Electric.

Western Electric also is believed to be a bidder for the second phase, according to sources, four Japanese companies including Fujitsu.

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The Technology Margin: Soviet Assisted by Ex-C.I.A. Agents

By EDWARD T. POUND
Special to The New York Times

WASHINGTON, Oct. 14 — The disclosure that two former American intelligence agents attempted to divert military-related technology abroad has focused attention on a problem with serious national security implications: the Government's failure to assure that its advanced technology does not leave this country illegally.

News Analysis

One of the inconsistencies emerging from the activities of the former agents, Edwin P. Wilson and Frank E. Terpil, is the major imbalance between the billions spent to develop sophisticated technology and the relatively limited Government resources devoted to controlling its loss to other nations, including the Soviet Union.

It has long been clear that the investment in research and development of computers, microelectronics, lasers and other advanced technology by the Defense Department and private industry is critically important to national security. American officials have said that the United States' technological edge had allowed it to stay ahead, or abreast, of the Soviet Union in military capabilities.

American Lead Held Reduced

Recently, however, the Defense Department concluded that "the Soviets have dramatically reduced the U.S. lead in virtually every important basic technology."

Some of the Russians' technological gains were obtained legally, but some were doubtless obtained illegally, according to American specialists. Nonetheless, officials in the intelligence agencies, the Customs Service and the Commerce Department, which licenses many technology exports, said that the Government only recently assigned a high priority to investigating illegal sales of technology to unfriendly nations. They said they were beginning to put more resources into the effort.

Some officials said that the enforcement program was still understaffed. They noted that the Commerce Department had only a relative handful of investigators and inspectors, and the Customs Service had not devoted enough resources to inspect outbound shipments on a sustained basis. Reagan Administration officials said that they were uncertain how much technology, both data and equipment, was reaching the Soviet Union illegally but that they had evidence the Russians had stepped up their covert procurement activities in this country and abroad.

Agents' Maneuvers Unavailing

The Wilson-Terpil case has helped focus attention on the inadequacies in the Government's safeguards against illegal leakage.

From what is known of their activities, Mr. Wilson and Mr. Terpil were generally unsuccessful in their attempts to export technology abroad, although not primarily because of Government enforcement actions.

Both men left the Central Intelligence Agency in the 1970's and went to work for Libya to train terrorists. They are now under Federal indictment for allegedly shipping explosives to that country, with which the United States has a belligerent relationship.

According to former associates, in 1977 Mr. Wilson also tried to obtain and divert to the Soviet Union an American computer program used in electronic intelligence gathering and reconnaissance.

A former employee of the Stanford Technology Corporation, a California electronics company with which Mr. Wilson had been associated, said that the former agent asked him to steal the computer program. The employee said he refused to do so. It is not clear whether Mr. Wilson was able to obtain the program by other means or whether it reached the Soviet Union.

Furthermore, Mr. Wilson and Mr. Terpil were said to have used their intelligence connections and knowledge in attempts to help Stanford Technology market restricted electronic warfare equipment to Middle Eastern nations in the 1970's. Mr. Wilson and Mr. Terpil had left the Central Intelligence Agency by the time they went to work for Stanford Technology. But they told company executives they still worked for the agency, and these executives concede that that was one of the reasons they were selected as salesmen.

Some senior intellignece officials, after reviewing the Wilson-Terpil case, have said it was especially striking that the flow of technology abroad was being aided by former American intelligence agents. The case is particularly dramatic, they said, but illustrates what can happen when former agents turn their expertise against the Government that trained them.

Actions of Former Agents

Many other former intelligence agents, military aides and other specialists work in the technology field in what has been described as a kind of uneasy marriage of intelligence connections and private enterprise. For example, Rauer H. Meyer, who headed the Government's Export Administration for many years and was the man most responsible for setting up the apparatus to enforce United States export laws, left the Government in 1979 and went to work as a consultant for a company that acts as a go-between for sales of high technology to the Soviet Union. The head of this company, Videlcom, based in Geneva and London, was involved with Mr. Wilson in the scheme to sell the computer program [illegible].

Intelligence officials say they are concerned about the lack of control over the business dealings of former agents and bureaucrats. The House Select Committee on Intelligence is planning to review the problem as part of an investigation of Mr. Wilson's activities.

Others in Congress are also showing growing interest in the effectiveness of laws governing both the export of technology and of military equipment. Alarmed by the activities of Mr. Wilson and Mr. Terpil in Libya, Senator Lloyd Bentsen, a Texas Democrat, introduced a bill last month to prohibit United States citizens from aiding international terrorists.

Committees Examining Security

Both the Senate Select Committee on Intelligence and the Senate Foreign Relations Committee are attempting to assess the seriousness of illegal technology transfers, with the goal of proposing corrective legislation. The Central Intelligence Agency recently completed a secret study on the problem and supplied its findings to the intelligence committee.

One question Congress may have to decide is whether to provide for closer monitoring of the small companies that design and manufacture sophisticated equipment. According to senior intelligence officials, security is often lax at such companies. This vulnerability, they said, could make it relatively easy for unfriendly countries to gain access to restricted equipment and designs.

As matters stand, the Government maintains close supervision over large defense contractors. They and their employees are required to go through stiff security clearances, and the companies face the loss of billions of dollars in Government contracts if they violate export or national security laws.

The smaller companies, many [illegible] security clearan[illegible] operate under fewer constraints [illegible] may be willing to take chances to m[illegible] profitable sa[illegible].

The Stanford Technology Corp[illegible]tion, for example, never received a[illegible] curity clearance because it was ow[illegible] by a foreigner. Nevertheless, the c[illegible]pany, in the heart of northern Cali[illegible]nia's electronics area, was able to [illegible]semble a team of well-qualified e[illegible]neers.

Recently, a judge in San [illegible], Ca[illegible] in sentencing a businessman accused [illegible] heading a theft ring suspected of div[illegible]ing secret electronics designs to [illegible] Soviet Union, complained about a[illegible]dustry whose "security and self-pro[illegible]tion is abominable."

Justice Department officials said t[illegible] areas like that in northern Califor[illegible] and outside Boston, where there i[illegible] high concentration of technology de[illegible]opment companies but relatively l[illegible]ited security precautions, provide[illegible] fertile territory for foreign powers, [illegible]cluding the Soviet Union, to mod[illegible] American research developments.

Competitive Urge Controlling

Federal officials said it was diffi[illegible] in an open society, to prevent this kin[illegible] monitoring. And officials of the Fede[illegible] Bureau of Investigation said they w[illegible] often amazed at the naivet[illegible] expo[illegible] executives, operating in a competit[illegible] economy, about detecting and stop[illegible] efforts to penetrate corporate secrets.

Government officials involved in [illegible] control of commercial exports n[illegible] that the United States no longer m[illegible]tains a monopoly on technology, a[illegible] that Japan and some Western Europ[illegible] countries have made rapid advanc[illegible] This, they say, underlines the imp[illegible]tance of Washington's improving co[illegible]dination with its allies.

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